

Message Text

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C O N F I D E N T I A L QUITO 6033

E.O. 11652: GDS

TAGS: ENRG, PFOR, EC

SUBJECT: PRESIDENT POVEDA AND SUPREME COUNCIL PUBLICLY ACCUSED
ON MARITIME TERMINAL

1. SUMMARY: CEPE MANAGER PINEIROS HAS PUBLICLY ACCUSED THE SUPREME COUNCIL OF UNETHICAL INVOLVEMENT IN THE BIDDING FOR CONSTRUCTION OF THE ESMERALDAS MARITIME TERMINAL. THE SUPREME COUNCIL IN TURN HAS REAFFIRMED ITS RIGHT TO CONDUCT INVESTIGATIONS OF SUCH MATTERS, AND COUNTERED PINEIROS' ARGUMENTS POINT-BY-POINT. VARIOUS POLITICAL PARTIES HAVE EXPRESSED CONCERN ABOUT THE CHARGES MADE BY PINEIROS AND ABOUT MILITARY RULE IN GENERAL. END SUMMARY.

2. COLONEL LUIS PINEIROS, CEPE MANAGER, ON AUGUST 1 ISSUED A "REPORT ON THE ESMERALDAS MARITIME TERMINAL" TO HIS GENERALS AND OTHERS IN THE ARMED FORCES. THE STATEMENT WAS PUBLISHED AS A FULL-PAGE ADVERTISEMENT IN THE GUAYAQUIL DAILY "EL EXPRESO" ON AUGUST 23, APPARENTLY SPONSORED BY A NEWLY-FORMED POLITICAL GROUP, THE "ECUADOREAN MOVEMENT FOR CIVIC RESTORATION."

3. THE LENGTHY PINEIROS STATEMENT DETAILED THE HISTORY OF THE CONTRACT FOR CONSTRUCTION OF THE MARITIME TERMINAL, SPECIFICALLY CRITICIZING THE ORIGINAL DESIGNERS OF THE
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PROJECT, THE BRITISH FIRM SIR WILLIAM HALCROW. PINEIROS

CLAIMED THE HALCROW DESIGN WAS INAPPROPRIATE TO ECUADOREAN CONDITIONS AND LACKED ADEQUATE ENGINEERING AND ECONOMIC STUDIES. THE US FIRM OCEANIC CONTRACTORS ALSO CAME UNDER ATTACK; PINEIROS MAINTAINED THAT SUBSEQUENT OCEANIC BIDS SHOWED THE FIRST OCEANIC OFFER WAS PADDED BY SOME \$10 MILLION.

4. MOST IMPORTANT FOCUS OF PINEIROS STATEMENT WAS ACCUSATION THAT THE HEAD OF THE SUPREME COUNCIL, ADMIRAL POVEDA, UNETHICALLY INTERFERED IN CEPE OPERATIONS BY INSISTING THAT CEPE CONTINUE WITH THE HALCROW DESIGN AND REJECT THE "LOWER" BID FROM THE FRENCH FIRM BUOYGES OFFSHORE. IN THE CONCLUSION OF HIS STATEMENT, PINEIROS SAID: "SIR WILLIAM HALCROW DID NOT COMPLY WITH ITS CONTRACT; NONETHELESS, IT WAS DEMANDED AT THE PRESIDENTIAL LEVEL THAT THEY CONTINUE WORKING WITH CEPE." PINEIROS ALSO ACCUSED DIFFERENT COMPANIES OF USING "INFLUENCE PEDDLING" TO ACHIEVE THEIR ENDS, "EVEN AT THE COST OF SACRIFICING THE HONOR OF CERTAIN PERSONS AND THE SACRED INTERESTS OF THE COUNTRY."

5. THE SUPREME COUNCIL ISSUED A STRONG STATEMENT TO THE PRESS AUGUST 24 WHICH WAS CARRIED IN FULL BY ALL MAJOR NEWSPAPERS. IN DEFENSE OF ITS INVOLVEMENT IN THE CONTRACT, THE COUNCIL SAID IT HAD THE RIGHT TO "CONDUCT ANY INVESTIGATIONS AND REQUIRE ALL INFORMATION...WHEN IT IS NOT FULLY CONVINCED THAT APPROPRIATE LEGAL AND MORAL PROCEDURES HAVE BEEN FOLLOWED."

6. THE COUNCIL ALSO ISSUED A POINT-BY-POINT RESPONSE TO PINEIROS' STATEMENT. THE COUNCIL SAID THAT THE ONLY ACTION TAKEN BY THE SUPREME COUNCIL WAS TO "SUGGEST" TO CEPE THAT A NEW TENDER SHOULD BE CALLED; THAT IT WAS THE CEPE BOARD OF DIRECTORS, RATHER THAN THE COUNCIL, THAT DECIDED TO CONTINUE WITH THE HALCROW DESIGN AND CALL A NEW TENDER; AND THAT THE OFFER OF THE FRENCH FIRM BUOYGES DID NOT CONFORM TO SPECIFICATIONS AND THUS WAS NOT COMPARABLE TO OTHER OFFERS.

7. VARIOUS POLITICAL PARTIES HAVE ISSUED COMMENTS ON COL. PINEIROS' STATEMENT. THE AROSEMENA PARTY CALLED FOR A COMPLETE INVESTIGATION; THE ALFARIST RADICAL FRONT CALLED FOR A RETURN TO CIVILIAN RULE ZXTHAT#WOULD NOT PRODUCE
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INCIDENTS SUCH AS WERE DENOUNCED BY THE CEPE MANAGERZV# THE NATIONAL PONCISTA PARTY DEMANDED AN EXPLANATION AND SAID THE EVENTS THREATENED THE PRESTIGE OF THE GOVERNMENT; THE CONSERVATIVE PARTY CLAIMED THE PINEIROS STATEMENT INDICATED THE "ADMINISTRATIVE DEMORALIZATION OF THE ARMED FORCES," AND UNDERScoreD THE NEED TO RETURN TO CIVILIAN RULE.

8. COMMENT: IN MOST COUNTRIES, SUCH A THINLY-VEILED PUBLIC

ACCUSATION OF CORRUPTION AGAINST THE PRESIDENT WOULD NORMALLY LEAD TO THE IMMEDIATE OUSTER OF THE ACCUSER I.E. PINEIROS. IN THIS LAND, HOWEVER, POLITICS IS NEVER "NORMAL." THE EMBASSY HAS LEARNED THAT ADMIRAL POVEDA HAS TOLD A GROUP OF NEWSPAPER EDITORS THAT PINEIROS WILL BE KEPT ON THE JOB SO AS TO AVOID CHARGES THAT POVEDA WAS TRYING TO SHUT HIM UP. IN THE MEANTIME, THE SUPREME COUNCIL WILL REVEAL ALL THE FACTS TO THE PUBLIC SO THAT PINEIROS CAN BE FIRED FOR INCOMPETENCE. ALSO IN THIS IT-COULD-ONLY-HAPPEN-IN-ECUADOR VEIN IS THE FACT THAT POVEDA AND GENERAL LEORO (GENERAL DURAN, THE THIRD MEMBER OF THE TRIO, IS IN THE U.S.) CALLED TOGETHER MOST OF THE EDITORS OF THE GUAYAQUIL AND QUITO PRESS TO DISCUSS THE CASE AND TELL THEM IN ADVANCE OF THEIR EVENTUAL PLANS (A) TO DUMP PINEIROS AND (B) TO GET RID OF HIS "LEFTIST" ADVISORS. THE EDITORS IN TURN ADVISED POVEDA THAT THE COUNCIL'S "EXPOSE" BETTER BE GOOD BECAUSE SO FAR PINEIROS' CASE IS MORE CONVINCING. (CHARACTERISTICALLY, MINISTER OF NATURAL RESOURCES RENE VARGAS IS NOT PUBLICLY INVOLVED, DESPITE THE FACT THAT HE WAS CEPE'S MANAGER DURING THE INITIAL BIDDING, AND THE PROBABILITY THAT HE HAS BEEN MUCH INVOLVED IN THE SUBSEQUENT EVENTS.) WE EXPECT AN INCREASING PUBLIC OUTCRY AND DEMAND FOR INVESTIGATION OF ALL INVOLVED.

BLOOMFIELD

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